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B.C. BANCORP
(formerly Bank of British Columbia)

ANNUAL REPORT

FOR THE YEAR ENDED OCTOBER 31, 1994

Suite 2085
200 Burrard Street
Vancouver, B.C., V6C 3L6
(604) 681-3911
Fax: (604) 681-2172

B.C. BANCORP
(formerly Bank of British Columbia)

March 7, 1995

Management's Discussion and Analysis of
Financial Condition and Results of Operation

Dear Shareholder,

Enclosed is your copy of the Bank's Financial Statements for the fiscal year ended October 31, 1994 together with the Auditors' Report. This year represented the eighth year of operations of the Bank after the sale of assets to Hongkong Bank of Canada on November 27, 1986.

Since November 27, 1986 the Bank's activities have been confined to those incidental to a winding-up of its affairs. The net loss for 1994 totalled $1.0 million, compared to net income of $1.7 million in 1993. The major causes of the reduced net income were the reduction in the size of the investment portfolio due to the full year effect of the $17 million of distributions to shareholders in October, 1993, valuation adjustments to a repossessed property upon the sale of the property and an increase in the provision for litigation costs.

Total assets at October 31, 1994 were $19.0 million, a decrease of $0.5 million from the previous year. The decrease was in other assets and resulted from the downward valuation of a repossessed property upon the sale of the property.

Other liabilities, $0.9 million at October 31, 1994, increased by $0.5 million during the year. The one remaining legal action against the Bank was heard by the Court of Queen's Bench of Alberta in February, 1994 and the Judgment was against the Bank. Based on the advice of counsel, the Bank appealed the Judgment. The appeal was heard in January, 1995 and the Bank was unsuccessful. The provision for litigation costs includes a provision for the costs of the appeal and the payment of the Judgment.

The two principal legal issues relating to the Bank's entitlement to the surplus in the Bank's employee pension plan were directed by the courts to be tried separately. In relation to the first issue, the Supreme Court of B.C. determined that the Bank, under the terms of the 1969 Trust and plan, did not irrevocably alienate its interest in the pension fund. The decision was upheld by the B.C. Court of Appeal in 1990 and leave to appeal was denied by the Supreme Court of Canada in 1991.

In relation to the second issue, the Supreme Court of B.C. determined in 1993, in effect, that the Bank was entitled to the whole of the surplus and dismissed all other claims to the surplus or against the Bank. This decision was also appealed to the B.C. Court of Appeal and the hearing was adjourned in June 1994 to allow time for the parties to consider a decision released by the Supreme Court of Canada in Schmidt v. Air Products.

The Schmidt v. Air Products decision is generally favourable to employees with respect to entitlement to pension surpluses and raises a question as to the correctness of the previous decision of the B.C. Court of Appeal in relation to the first issue. The Bank took the position on the resumed hearing of the appeal in October 1994 that the decision of the B.C. Court of Appeal on the first issue was final and conclusive between the parties and is not affected by the later decision of the Supreme Court of Canada in Schmidt v. Air Products. The Court has not yet released its ruling and the outcome of the appeal and any further appeal is uncertain at this time.

If the 1993 decision in the Bank's favour is upheld, subject to the possibility of a further appeal to the Supreme Court of Canada, the amount of further distributions will be approximately $1.72 per share of which the pension surplus would represent approximately $1.19 per share and the liquidation value of the Bank's other remaining assets would represent approximately $0.53 per share. If the Bank ultimately loses the appeal, it will have no right to the pension surplus of $1.19 per share.

A further important issue is whether the Bank will be required to make up contributions to the pension plan amounting in the aggregate to approximately $5 million which, based on advice from actuaries that the plan was in surplus, were not made in 1983, 1984 and 1985. If the Bank is ultimately directed by the courts to make such payments, the amount required, together with any interest that may be awarded, would reduce substantially or possibly eliminate entirely any further distributions. No provision has been made in these financial statements for any such amounts.

Due to the remaining litigation and the need for final regulatory and Court approval, the Board of Directors is unable to determine with certainty when completion of the winding-up will occur. Our current estimate is that it could take a further one to two years. The Board of Directors has determined that it is not appropriate to propose a further interim distribution at this time.

P.H. Stafford Chairman & Chief Executive Officer	W.J. Bryden President & Chief Accountant

B.C. BANCORP
(formerly Bank of British Columbia)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 1994 AND 1993

Auditors' Report

Statement of Assets and Liabilities

Statements of Income

Statements of changes in Shareholders' Equity

Statements of changes in Financial Position

Notes to the Financial Statements

AUDITORS' REPORT TO THE SHAREHOLDERS OF B.C. BANCORP

We have audited the statements of assets and liabilities of B.C. Bancorp as at October 31, 1994 and 1993 and the statements of income, changes in shareholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

Chartered Accountants

Vancouver, Canada
December 2, 1994

B.C. BANCORP
STATEMENTS OF ASSETS AND LIABILITIES (Note 1)
AS AT OCTOBER 31
(in thousands of dollars)

	1994	1993
ASSETS		
Cash Resources and Securities (Note 4):		
Deposits with other Canadian banks	$ 547	$ 5,553
Securities issued or guaranteed by Canada	17,942	9,669
Securities issued or guaranteed by provinces	-	1,493
	18,489	16,715
Loans (Note 5)	-	-
Other assets (Note 6)	550	2,825
TOTAL ASSETS	$ 19,039	$ 19,540
LIABILITIES		
Other liabilities (Note 7)	$ 905	$ 366
CAPITAL AND RESERVES		
Shareholders' Equity:		
Capital stock (Note 8):		
Common shares	193,924	193,924
Deficit	(175,790)	(174,750)
	18,134	19,174
CONTINGENCIES (Note 2)		
TOTAL LIABILITIES AND CAPITAL AND RESERVES	$ 19,039	$ 19,540

P.H. Stafford
Chairman & Chief Executive Officer

G.E. Moul
Director

A.L. Duncan
Director

B.C. BANCORP
STATEMENTS OF INCOME (Note 1)
AS AT OCTOBER 31
(in thousands of dollars)

	1994	1993
Interest income:		
Loans	$ -	$ 137
Securities	765	1,627
Deposits with banks	187	673
Net interest income	952	2,437
Loan loss provision (Note 6)	696	443
Net interest income after loan loss provision	256	1,994
Other income	-	8
Net interest and other income	256	2,002
Non-interest expenses:		
Salaries and staff benefits	80	80
Premises and equipment expenses	17	17
Other expenses (Note 9)	1,134	286
Total non-interest expenses	1,231	383
Net income (loss) before provision for taxes	(975)	1,619
Provision for (recovery of) B.C. capital tax (Note 10)	50	(91)
Provision for large corporations tax (Note 10)	15	18
Net income (loss)	$ (1,040)	$ 1,692
Net income (loss) per common share - in dollars (Note 11)	$ (0.031)	$0.050

B.C. BANCORP
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31
(in thousands of dollars)

	1994	1993
Capital stock - Common shares (Note 8):		
Balance at beginning of year	$ 193,924	$ 210,906
Reduction of capital - October, 1993 at $0.50 per share	-	(16,982)
Balance at end of year	$ 193,924	$ 193,924
Deficit:		
Balance at beginning of year	$ (174,750)	$(176,442)
Net income (loss)	(1,040)	1,692
Balance at end of year	$ (175,790)	$(174,750)

B.C. BANCORP
STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED OCTOBER 31
(in thousands of dollars)

	1994	1993
Source of Cash Resources and Securities:		
Net Income	$ -	$ 1,692
Decrease in loans, net	-	4,307
Decrease in other assets	2,275	-
Increase in other liabilities	539	-
	2,814	5,999
Use of Cash Resources and Securities:		
Net loss	1,040	-
Increase in other assets	-	900
Reduction of capital, Common shares	-	16,982
Decrease in other liabilities	-	719
	1,040	18,601
Increase (decrease) in cash resources and securities	1,774	(12,602)
Cash resources and securities, beginning of year	16,715	29,317
Cash resources and securities, end of year	$ 18,489	$ 16,715

B.C. BANCORP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 1994 AND 1993

1. DESCRIPTION OF BUSINESS

On November 27, 1986, by the terms of the Bank of British Columbia Business Continuation Act (the "Act"), B.C. Bancorp (the "Bank"), formerly Bank of British Columbia, disposed of substantially all of its assets to Hongkong Bank of Canada. Under the Act, the Bank's activities are confined to winding-up its affairs on an orderly basis over time.

2. CONTINGENCIES

(a) Pension Plan Surplus:

As at September 1, 1994, the date of the latest actuarial review, the actuarial value of the assets of the Bank's employee pension plan exceeded the actuarial liabilities by $40,529,000 ($1.19 per share). No amount of this surplus is recorded in these financial statements. The Bank's right to this surplus is currently the subject of litigation by a number of pension plan members.

The two principal legal issues relating to the Bank's entitlement to the surplus were directed by the courts to be tried separately. In relation to the first issue, the Supreme Court of B.C. determined that the Bank, under the terms of the 1969 Trust and plan, did not irrevocably alienate its interest in the pension fund. The decision was upheld by the B.C. Court of Appeal in 1990 and leave to appeal was denied by the Supreme Court of Canada in 1991.

In relation to the second issue, the Supreme Court of B.C. determined in 1993, in effect, that the Bank was entitled to the whole of the surplus and dismissed all other claims to the surplus or against the Bank. This decision was also appealed to the B.C. Court of Appeal and the hearing was adjourned in June 1994 to allow time for the parties to consider a decision released by the Supreme Court of Canada in Schmidt v. Air Products. The Schmidt v. Air Products decision is generally favourable to employees with respect to entitlement to pension surpluses and raises a question as to the correctness of the previous decision of the B.C. Court of Appeal in relation to the first issue. The Bank took the position on the resumed hearing of the appeal in October 1994 that the decision of the B.C. Court of Appeal on the first issue was final and conclusive between the parties and is not affected by the later decision of the Supreme Court of Canada in Schmidt v. Air Products. The Court has not yet released its ruling and the outcome of the appeal and any further appeal is uncertain at this time.

If the 1993 decision in the Bank's favour is upheld, subject to the possibility of a further appeal to the Supreme Court of Canada, the amount of further distributions will be approximately $1.72 per share of which the pension surplus would represent approximately $1.19 per share and the liquidation value of the Bank's other remaining assets would represent approximately $0.53 per share. If the Bank ultimately loses the appeal, it will have no right to the pension surplus of $1.19 per share.

A further important issue is whether the Bank will be required to make up contributions to the pension plan amounting in the aggregate to approximately $5 million which, based on advice from actuaries that the plan was in surplus, were not made in 1983, 1984 and 1985. If the Bank is ultimately directed by the courts to make such payments, the amount required, together with any interest that may be awarded, would reduce substantially or possibly eliminate entirely any further distributions. No provision has been made in these financial statements for any such amounts.

(b) **Other Legal Action:**

The one remaining legal action against the Bank was heard by the Court of Queen's Bench of Alberta in February, 1994 and the Judgment was against the Bank. Based on the advice of counsel, the Bank appealed the Judgment. The appeal was heard in January, 1995 and the Bank was unsuccessful. The provision for litigation costs includes a provision for the costs of the appeal and the payment of the Judgment.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Section 308(4) of the Bank Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada, the financial statements are to be prepared in accordance with generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of the Superintendent, are summarized below. These accounting policies conform, in all material respects, to generally accepted accounting principles.

(a) **Securities:**

Securities, all of which are held for investment purposes, are carried at cost, adjusted for amortization of premiums and discounts. If the value of securities has an impairment that is other than temporary, the carrying value is appropriately reduced.

The amortization of premiums and discounts, gains and losses on the disposal of securities and adjustments to the carrying value of securities are included in Interest Income from Securities in the Statement of Income.

(b) **Loans:**

Loans are recorded at the principal amount less specific provisions for losses.

Interest income is recorded on the accrual basis until such time as a loan is classified as non-accrual. Loans are placed on a non-accrual basis whenever there is, in the opinion of management, reasonable doubt as to the ultimate collectability of some portion of principal or interest, or when interest on a loan is due and has not been collected for a period of 90 days, unless senior management determines there is no reasonable doubt as to the ultimate collectability of principal and interest. The amount of this overdue interest is reversed and charged against current year's income. Interest income on non-accrual loans is recorded on a cash basis only after any specific provisions or partial write-offs have been recovered.

(c) **Loan losses:**

Actual loan loss experience for the year, which consists of the amount of loans written off and net changes in specific provisions for losses, including valuation adjustments on real property repossessed in the course of collecting loans, less recoveries on loans previously written off, is charged or credited directly to income.

4. **CASH RESOURCES AND SECURITIES**

All of the cash resources and securities are readily marketable and mature within the next year.

5. **LOANS (All Domestic)**
(in thousands of dollars)

	1994	1993
Mortgages (non-accrual)	$ 190	$ -
Specific provisions for losses - mortgages	(190)	-
TOTAL LOANS	$ -	$ -

6. **OTHER ASSETS**
(in thousands of dollars)

	1994	1993
Accrued interest receivable:		
- on deposits with banks	$ -	$ 232
- on securities issued or guaranteed by Canada	535	724
- on securities issued or guaranteed by provinces	-	423
	535	1,379
Tax refunds due	15	159
Real property other than bank premises	-	1,287
TOTAL	$ 550	$ 2,825

Real property other than bank premises consisted of real property repossessed in the course of collecting loans. The properties are reported on these statements at their estimated net realizable value. The loan loss provision of $696 (1993 - $443) reflects the effect of valuing the properties at their estimated net realizable value.

7. **OTHER LIABILITIES**
(in thousands of dollars)

	1994	1993
Accounts payable, accrued expenses and other miscellaneous liabilities including a provision for the future costs of litigation	$ 905	$ 366

Readers are referred to Note 2 for a discussion of contingencies.

8. **CAPITAL STOCK**

Authorized:

Preferred shares - 3,000,000 shares without nominal or par value, issuable in series for an aggregate consideration not exceeding $75,000,000.

Common shares - An unlimited number of shares without nominal or par value, issuable for an aggregate consideration not exceeding $500,000,000.

Outstanding:
(in thousands of dollars)

	Amount at Beginning And End of 1994 and 1993	
	Number of Shares	Amount
Common shares	33,964,324	$193,924

Distributions to Holders of Common Shares
(in thousands of dollars)

Two interim distributions to Common shareholders, in the form of a reduction of capital, have been made:

	Per Share	Aggregate
July 7, 1992	$1.00	$33,964
October 29, 1993	0.50	16,982
	$1.50	$50,946

9. **OTHER EXPENSES**
(in thousands of dollars)

	1994	1993
Directors' fees	$ 32	$ 32
Professional and management fees	28	46
Shareholder expenses	154	194
Provision for litigation costs	910	-
Other	10	14
	$ 1,134	$ 286

Professional and management fees include audit fees and legal fees. Shareholder expenses include transfer agent costs, printing of reports to shareholders and other related shareholder costs. The provision for litigation costs includes a provision for the expected costs of completing the litigation matters now underway as well as the payment of a judgment in an Alberta action (Note 2(b)).

10. **PROVISION FOR TAX**

No provision for income taxes is shown in the statements of income due to the availability of unclaimed loss provisions. The potential future tax benefits of $83 million of unclaimed loss provisions, which have an indefinite life, have not been recorded in these financial statements. No income taxes are expected to be paid during the course of the winding-up of the Bank. The only taxes payable by the

Bank are capital taxes assessed by the Province of B.C. and the federal government.

11. NET INCOME PER COMMON SHARE

Net income (loss) per Common share has been calculated on the daily weighted average number of Common shares outstanding of 33,964,324 for each year.

FIVE YEAR STATISTICAL REVIEW

I. BALANCE SHEET (As at October 31)

($ Thousands)	1994	1993	1992	1991	1990
Cash resources and securities	$ 18,489	$ 16,715	$ 29,317	$ 89,449	$ 81,090
Loans	-	-	4,307	5,578	5,748
Other assets	550	2,825	1,925	7,923	10,585
TOTAL ASSETS	$ 19,039	$ 19,540	$ 35,549	$102,950	$ 97,423
Other Liabilities	$ 905	$ 366	$ 1,085	$ 1,409	$ 1,874
Capital Stock - preferred[1]	-	-	-	36,470	36,470
common	193,924	193,924	210,906	244,870	244,870
Deficit[2]	(175,790)	(174,750)	(176,442)	(179,799)	(185,791)
TOTAL LIABILITIES AND CAPITAL AND RESERVES	$ 19,039	$ 19,540	$ 35,549	$102,950	$ 97,423

NOTES:

1 Excludes cumulative preferred dividend obligations of $0.83 million at October 31, 1991 and $1.64 million at October 31, 1990.

2 Includes the effect of interim distribution payments of $19.1 million since June 1990 to Preferred shareholders representing amounts equal to all unpaid dividends up to and including the final distribution in July 1992.

II. STATEMENTS OF INCOME (Year Ended October 31)

($ Thousands)	1994	1993	1992	1991	1990
Interest income	$ 952	$ 2,437	$ 7,197	$ 10,052	$ 10,391
Loan loss provision (recovery)	696	443	75	(10)	-
Other income	-	8	10	10	19
Net interest and other income	256	2,002	7,132	10,072	10,410
Salaries and benefit expenses	80	80	80	92	84
Premises and other operating expenses	1,151	303	377	307	563
Net income (loss) before provision for taxes and other items	(975)	1,619	6,675	9,673	9,763
Other items	-	-	-	600	2,460
Provision for (recovery of) capital taxes	65	(73)	263	184	146
NET INCOME (LOSS)	$ (1,040)	$ 1,692	$ 6,412	$ 10,089	$ 12,077

III. SHARE INFORMATION (Year Ended October 31)

	1994	1993	1992	1991	1990
Net income (loss) per common share[3]	$(0.031)	$0.050	$0.123	$0.20	$0.26
Book value per common share[4]	$0.53	$0.56	$1.01	$1.89	$1.69
Common share price - end of year[5]	$0.72	$1.33	$1.25	$2.02	$1.71
Return on common shares[6]	(21.6)%	25.8%	11.4%	18.1%	22.1%

NOTES:

3 Net income less preferred dividend obligations for the year divided by average number of Common shares outstanding during the year (33,964,324).

4 Total Capital and Reserves less Preferred shares and cumulative Preferred dividend obligations divided by average number of Common share outstanding during the year (33,964,324).

5 Closing price on The Toronto Stock Exchange on the last trading day in October.

6 Change in market price per Common share divided by beginning market price per Common share, and adjusted for the Common share distributions in October 1993 ($0.50 per share) and July 1992 ($1.00 per share).